



American Teleservices Association

**COMMENTS OF AMERICAN TELESERVICES ASSOCIATION (ATA) FOR
CONSIDERATION BY THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON ENERGY AND COMMERCE SUBCOMMITTEE ON
COMMERCE, TRADE, AND CONSUMER PROTECTION SEPTEMBER 11,
2008 HEARING ON ECONOMIC AND SECURITY CONCERNS IN TOURISM
AND COMMERCE.**

September 11, 2008

Introduction:

Mr. Chairman, and members of the committee, thank you for the opportunity to attend and testify at this hearing on economic and security concerns in tourism and commerce. My name is Tim Searcy, and as the CEO of the American Teleservices Association (ATA), I represent nearly 5,000 contact centers employing more than two million professionals involved in all aspects of customer service, including inbound and outbound contact centers, which provides the communication link to the American consumer, leveraged by every major corporation in our country. Our association represents contact center employees and all employees supporting this important consumer service point for all markets in our economy. Our members use the contact center as the primary service point to deliver consumer support in the form of telephone, internet and email communication involving sales inquiries and service. The mission of the ATA is to assist in balancing the interests of consumers and legitimate businesses using contact centers to promote the public interest.

ATA applauds this Subcommittee for taking on the overwhelming, but vitally necessary task of consumer protection. Our comments are offered from the perspective of the nation's contact center industry, but are, in most instances, equally relevant to the broader U.S. business community with international operations.

Comments:

Consumer protection is of paramount interest to the members of the ATA. For this reason, ATA members are advised and required to conform to a strict code of ethics including compliance with federal and state laws. The ATA has also worked to create an accreditation process for contact centers including third party audits to insure that firms are complying with these laws and to promote best practices in compliance and consumer protection. The ATA's Self-Regulatory Organization has received early praise from both the Federal Trade Commission (FTC) and the Federal Communication Commission (FCC) in their public comments regarding the direction of the teleservices channel and its alignment to meet consumer needs.

As part of a very complex patchwork of federal and state laws, many elements of disclosure exist to inform the consumer about the individual and entity with whom they are in contact. Depending upon industry and jurisdictional mandate, contact centers are either subject to the federal Telephone Consumer Protection Act (TCPA) or the Telemarketing Sales Rule (TSR), or in some cases both. Disclosures to comply with these laws require identification of the caller, the entity engaged in the call, the purpose of the call, and the nature of the goods or

services. Additionally, there is a requirement to transmit the calling party number and the company name to be retrieved by a customer using caller identification technology. Depending upon which state a call is being taken from or made to, there are a host of other specific disclosures which are required at the beginning of the call, at the time of a sales transaction, and at the conclusion of the call.

The particular type of disclosure contemplated by H.R. 1776 is a burdensome additional disclosure without clear benefit to the consumer. Each time additional disclosures or compliance requirements are added to the call, call lengths are increased, and the cost of doing business by phone increases and the quality of the interaction with the consumer declines. The rising costs of compliance and regulation are causing many firms to contemplate automation only, or offshore solutions to stay cost competitive.

Currently, members of the teleservices industry can expect to pay tens of thousands of dollars annually to stay in compliance with federal laws, but when state laws are added to the compliance regimen, costs skyrocket to over \$200,000 per year. The cost of doing business is the primary impetus for choosing alternative solutions to domestic live operator contact centers. With no other financial option, and in a challenging economic environment, companies are choosing overseas contact centers and automated Interactive Voice Response (IVR) systems to handle calls for everything from sales to service.

Offshore contact centers as a source of inexpensive labor have been a choice for over twenty years. However, five years ago, the industry saw a substantial increase in the use of offshore contact centers as the federal Do Not

Call list and a surplus of state laws came into effect. In the last two years, with a weakening dollar and increased attention to customer relationships, the contact centers that have previously shifted operations overseas are now returning. Although many would claim that this is a natural byproduct of unsatisfactory service, the facts do not bear this out. In reality, with the free market and natural forces have created this change.

A term of the industry which has appeared frequently in print, is “rightsourcing”. In short, the concept is that the customer type, type of call for sales or service, and location of the personnel are intertwined with profitability and long-term customer satisfaction. Because firms have taken a broader view of the customer relationship and the economics which govern profitability, companies have begun to very carefully select which locations are best suited for various types of customer interaction. It is with no small irony, that we are beginning to see companies from Spain, France, and Australia choose U.S. contact centers to handle calls on their behalf because of both expertise and labor costs.

Options:

There are a number of options to requiring location disclosure at the beginning of the call. The ATA believes that a reduction in overall compliance costs could be a means to make domestic contact centers even more affordable. The House has within its power the ability to declare that the FCC has exclusive jurisdiction over interstate calling. Exclusive federal jurisdiction alone could reduce the costs to industry by an estimated \$200 million or more per year and

make onshore solutions more desirable. By creating one set of laws, firms would no longer have to manage to an impossible patchwork of overlapping and sometimes contradictory rules.

A second option would be to conduct a more comprehensive study of the costs and benefits of creating location disclosure. No substantive information is available to determine what trends exist, and it is quite possible this legislation is unwarranted and unneeded. Companies have proven time and again that they will make choices in order to do a better job of securing customers and keeping those customers. It is important to know whether the marketplace is being responsive and balanced in its approach to customer satisfaction and to allow free market forces an opportunity to demonstrate self control. A study of this issue could certainly substantiate the current speculation.

Finally, consumers should have a choice to know of the location of a company's contact center if they are interested. No federal law currently exists which mandates that an entity disclose a contact center's location upon request. The American Teleservices Association Self-Regulatory Organization requires firms that seek accreditation as best practices providers to disclose their location when asked. The ATA would be very supportive of turning this practice into law.

Summary:

In summary, profitability of the contact center industry is highly dependent upon efficiency and the amount of time spent on the phone with consumers. Additional and unnecessary disclosures during a call increases the amount of time spent per call and reduces the number of people that can be reached and/or

calls that can be handled during a given period of time. Also, creating unnatural communication at the start of a call will only deteriorate the consumer experience by creating a robotic interaction when they are seeking to relate to a human. Prior to any change in federal law, adequate investigation and study needs to be done to determine the appropriate course of action.

ATA believes the current disclosures required by the TSR and TCPA are adequate for contact centers to conduct business effectively while keeping consumers informed of their rights. However, the consumer has the right to know, upon request, the location of a call center.

Thank you for the opportunity to voice our opinion and testify before this committee.